

117TH CONGRESS
1ST SESSION

H. R. 3954

To amend the Internal Revenue Code of 1986 to provide disaster tax relief, exclude from gross income amounts received from State-based catastrophe loss mitigation programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 2021

Mr. THOMPSON of California introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Small Business, and Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to provide disaster tax relief, exclude from gross income amounts received from State-based catastrophe loss mitigation programs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Disaster Tax Relief
5 Act of 2021”.

6 **SEC. 2. DEFINITIONS.**

7 For purposes of this Act—

1 (1) QUALIFIED DISASTER AREA.—

2 (A) IN GENERAL.—The term “qualified
3 disaster area” means any area with respect to
4 which a major disaster was declared, during the
5 period beginning on December 28, 2020, and
6 ending on the date which is 60 days after the
7 date of the enactment of this Act, by the Presi-
8 dent under section 401 of the Robert T. Staf-
9 ford Disaster Relief and Emergency Assistance
10 Act if the incident period of the disaster with
11 respect to which such declaration is made be-
12 gins on or before the date of the enactment of
13 this Act.

14 (B) COVID–19 EXCEPTION.—Such term
15 shall not include any area with respect to which
16 such a major disaster has been so declared only
17 by reason of COVID–19.

18 (2) QUALIFIED DISASTER ZONE.—The term
19 “qualified disaster zone” means that portion of any
20 qualified disaster area which was determined by the
21 President, during the period beginning on December
22 28, 2020, and ending on the date which is 60 days
23 after the date of the enactment of this Act, to war-
24 rant individual or individual and public assistance
25 from the Federal Government under the Robert T.

1 Stafford Disaster Relief and Emergency Assistance
2 Act by reason of the qualified disaster with respect
3 to such disaster area.

4 (3) QUALIFIED DISASTER.—The term “qualified
5 disaster” means, with respect to any qualified
6 disaster area, the disaster by reason of which a
7 major disaster was declared with respect to such
8 area.

9 (4) INCIDENT PERIOD.—The term “incident period”
10 means, with respect to any qualified disaster,
11 the period specified by the Federal Emergency Management Agency as the period during which such
12 disaster occurred (except that for purposes of this
13 Act such period shall not be treated as beginning before December 28, 2020, or ending after the date
14 which is 30 days after the date of the enactment of
15 this Act).

16 **18 SEC. 3. SPECIAL DISASTER-RELATED RULES FOR USE OF
19 RETIREMENT FUNDS.**

20 (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-
21 MENT PLANS.—

22 (1) IN GENERAL.—Section 72(t) of the Internal
23 Revenue Code of 1986 shall not apply to any qualified
24 disaster distribution.

25 (2) AGGREGATE DOLLAR LIMITATION.—

(A) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as qualified disaster distributions for any taxable year shall not exceed the excess (if any) of—

(i) \$100,000, over

(ii) the aggregate amounts treated as simplified disaster distributions received by each individual for all prior taxable years.

(B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to subparagraph (A)) be a qualified disaster distribution, a plan shall not be treated as violating any requirement of the Internal Revenue Code of 1986 merely because the plan treats such distribution as a qualified disaster distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds \$100,000.

(C) CONTROLLED GROUP.—For purposes of subparagraph (B), the term “controlled group” means any group treated as a single

1 employer under subsection (b), (c), (m), or (o)
2 of section 414 of the Internal Revenue Code of
3 1986.

4 (D) SPECIAL RULE FOR INDIVIDUALS AF-
5 FECTED BY MORE THAN ONE DISASTER.—The
6 limitation of subparagraph (A) shall be applied
7 separately with respect to distributions made
8 with respect to each qualified disaster.

9 (3) AMOUNT DISTRIBUTED MAY BE REPAYED.—

10 (A) IN GENERAL.—Any individual who re-
11 ceives a qualified disaster distribution may, at
12 any time during the 3-year period beginning on
13 the day after the date on which such distribu-
14 tion was received, make 1 or more contributions
15 in an aggregate amount not to exceed the
16 amount of such distribution to an eligible retire-
17 ment plan of which such individual is a bene-
18 ficiary and to which a rollover contribution of
19 such distribution could be made under section
20 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or
21 457(e)(16), of the Internal Revenue Code of
22 1986, as the case may be.

23 (B) TREATMENT OF REPAYMENTS OF DIS-
24 TRIBUTIONS FROM ELIGIBLE RETIREMENT
25 PLANS OTHER THAN IRAS.—For purposes of

1 the Internal Revenue Code of 1986, if a con-
2 tribution is made pursuant to subparagraph (A)
3 with respect to a qualified disaster distribution
4 from an eligible retirement plan other than an
5 individual retirement plan, then the taxpayer
6 shall, to the extent of the amount of the con-
7 tribution, be treated as having received the
8 qualified disaster distribution in an eligible roll-
9 over distribution (as defined in section
10 402(c)(4) of such Code) and as having trans-
11 ferred the amount to the eligible retirement
12 plan in a direct trustee to trustee transfer within
13 60 days of the distribution.

14 (C) TREATMENT OF REPAYMENTS OF DIS-
15 TRIBUTIONS FROM IRAS.—For purposes of the
16 Internal Revenue Code of 1986, if a contribu-
17 tion is made pursuant to subparagraph (A)
18 with respect to a qualified disaster distribution
19 from an individual retirement plan (as defined
20 by section 7701(a)(37) of such Code), then, to
21 the extent of the amount of the contribution,
22 the qualified disaster distribution shall be treat-
23 ed as a distribution described in section
24 408(d)(3) of such Code and as having been
25 transferred to the eligible retirement plan in a

1 direct trustee to trustee transfer within 60 days
2 of the distribution.

3 (4) DEFINITIONS.—For purposes of this sub-
4 section—

5 (A) QUALIFIED DISASTER DISTRIBUTION.—Except as provided in paragraph (2),
6 the term “qualified disaster distribution” means
7 any distribution from an eligible retirement
8 plan made—

10 (i) on or after the first day of the in-
11 cident period of a qualified disaster and
12 before the date which is 180 days after the
13 date of the enactment of this Act, and

14 (ii) to an individual whose principal
15 place of abode at any time during the inci-
16 dent period of such qualified disaster is lo-
17 cated in the qualified disaster area with re-
18 spect to such qualified disaster and who
19 has sustained an economic loss by reason
20 of such qualified disaster.

21 (B) ELIGIBLE RETIREMENT PLAN.—The
22 term “eligible retirement plan” shall have the
23 meaning given such term by section
24 402(c)(8)(B) of the Internal Revenue Code of
25 1986.

10 (B) SPECIAL RULE.—For purposes of sub-
11 paragraph (A), rules similar to the rules of sub-
12 paragraph (E) of section 408A(d)(3) of the In-
13 ternal Revenue Code of 1986 shall apply.

14 (6) SPECIAL RULES.—

1 tribution shall be treated as meeting the re-
2 quirements of sections 401(k)(2)(B)(i),
3 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A)
4 of such Code.

5 (b) RECONTRIBUTIONS OF WITHDRAWALS FOR
6 HOME PURCHASES.—

7 (1) RECONTRIBUTIONS.—

8 (A) IN GENERAL.—Any individual who re-
9 ceived a qualified distribution may, during the
10 applicable period, make 1 or more contributions
11 in an aggregate amount not to exceed the
12 amount of such qualified distribution to an eli-
13 gible retirement plan (as defined in section
14 402(c)(8)(B) of the Internal Revenue Code of
15 1986) of which such individual is a beneficiary
16 and to which a rollover contribution of such dis-
17 tribution could be made under section 402(c),
18 403(a)(4), 403(b)(8), or 408(d)(3), of such
19 Code, as the case may be.

20 (B) TREATMENT OF REPAYMENTS.—Rules
21 similar to the rules of subparagraphs (B) and
22 (C) of subsection (a)(3) shall apply for purposes
23 of this subsection.

(C) which was received during the period beginning on the date which is 180 days before the first day of the incident period of such qualified disaster and ending on the date which is 30 days after the last day of such incident period.

1 date which is 180 days after the date of the enact-
2 ment of this Act.

3 (c) LOANS FROM QUALIFIED PLANS.—

4 (1) INCREASE IN LIMIT ON LOANS NOT TREAT-
5 ED AS DISTRIBUTIONS.—In the case of any loan
6 from a qualified employer plan (as defined under
7 section 72(p)(4) of the Internal Revenue Code of
8 1986) to a qualified individual made during the 180-
9 day period beginning on the date of the enactment
10 of this Act—

11 (A) clause (i) of section 72(p)(2)(A) of
12 such Code shall be applied by substituting
13 “\$100,000” for “\$50,000”, and

14 (B) clause (ii) of such section shall be ap-
15 plied by substituting “the present value of the
16 nonforfeitable accrued benefit of the employee
17 under the plan” for “one-half of the present
18 value of the nonforfeitable accrued benefit of
19 the employee under the plan”.

20 (2) DELAY OF REPAYMENT.—In the case of a
21 qualified individual (with respect to any qualified
22 disaster) with an outstanding loan (on or after the
23 first day of the incident period of such qualified dis-
24 aster) from a qualified employer plan (as defined in

1 section 72(p)(4) of the Internal Revenue Code of
2 1986)—

3 (A) if the due date pursuant to subparagraph (B) or (C) of section 72(p)(2) of such
4 Code for any repayment with respect to such
5 loan occurs during the period beginning on the
6 first day of the incident period of such qualified
7 disaster and ending on the date which is 180
8 days after the last day of such incident period,
9 such due date shall be delayed for 1 year (or,
10 if later, until the date which is 180 days after
11 the date of the enactment of this Act),

13 (B) any subsequent repayments with respect to any such loan shall be appropriately
14 adjusted to reflect the delay in the due date
15 under subparagraph (A) and any interest accruing
16 during such delay, and

18 (C) in determining the 5-year period and
19 the term of a loan under subparagraph (B) or
20 (C) of section 72(p)(2) of such Code, the period
21 described in subparagraph (A) of this paragraph
22 shall be disregarded.

23 (3) QUALIFIED INDIVIDUAL.—For purposes of
24 this subsection, the term “qualified individual”
25 means any individual—

7 (d) PROVISIONS RELATING TO PLAN AMEND-
8 MENTS.—

9 (1) IN GENERAL.—If this subsection applies to
10 any amendment to any plan or annuity contract,
11 such plan or contract shall be treated as being oper-
12 ated in accordance with the terms of the plan during
13 the period described in paragraph (2)(B)(i).

1 ary 1, 2021, or such later date as the Sec-
2 retary may prescribe.

3 In the case of a governmental plan (as defined
4 in section 414(d) of the Internal Revenue Code
5 of 1986), clause (ii) shall be applied by sub-
6 stituting the date which is 2 years after the
7 date otherwise applied under clause (ii).

8 (B) CONDITIONS.—This subsection shall
9 not apply to any amendment unless—

10 (i) during the period—
11 (I) beginning on the date that
12 this section or the regulation de-
13 scribed in subparagraph (A)(i) takes
14 effect (or in the case of a plan or con-
15 tract amendment not required by this
16 section or such regulation, the effec-
17 tive date specified by the plan), and

18 (II) ending on the date described
19 in subparagraph (A)(ii) (or, if earlier,
20 the date the plan or contract amend-
21 ment is adopted),

22 the plan or contract is operated as if such plan
23 or contract amendment were in effect, and

24 (ii) such plan or contract amendment
25 applies retroactively for such period.

1 SEC. 4. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS

2 **AFFECTED BY QUALIFIED DISASTERS.**

3 (a) IN GENERAL.—For purposes of section 38 of the
4 Internal Revenue Code of 1986, in the case of an eligible
5 employer, the 2021 qualified disaster employee retention
6 credit shall be treated as a credit listed at the end of sub-
7 section (b) of such section. For purposes of this sub-
8 section, the 2021 qualified disaster employee retention
9 credit for any taxable year is an amount equal to 40 per-
10 cent of the qualified wages with respect to each eligible
11 employee of such employer for such taxable year. The
12 amount of qualified wages with respect to any employee
13 which may be taken into account under this subsection
14 by the employer for any taxable year shall not exceed
15 \$6,000 (reduced by the amount of qualified wages with
16 respect to such employee which may be so taken into ac-
17 count for any prior taxable year).

18 (b) DEFINITIONS.—For purposes of this section—

19 (1) ELIGIBLE EMPLOYER.—The term “eligible
20 employer” means any employer—

21 (A) which conducted an active trade or
22 business in a qualified disaster zone at any time
23 during the incident period of the qualified dis-
24 aster with respect to such qualified disaster
25 zone, and

8 (2) ELIGIBLE EMPLOYEE.—The term “eligible
9 employee” means with respect to an eligible em-
10 ployer an employee whose principal place of employ-
11 ment with such eligible employer (determined imme-
12 diately before the qualified disaster referred to in
13 paragraph (1)) was in the qualified disaster zone re-
14 ferred to in such paragraph.

1 (A) the date on which such trade or busi-
2 ness has resumed significant operations at such
3 principal place of employment, or

4 (B) the date which 150 days after the last
5 day of the incident period of the qualified dis-
6 aster referred to in paragraph (1).

7 Such term shall include wages paid without regard
8 to whether the employee performs no services, per-
9 forms services at a different place of employment
10 than such principal place of employment, or per-
11 forms services at such principal place of employment
12 before significant operations have resumed. Such
13 term shall not include any wages taken into account
14 under section 2301 of the Coronavirus Aid, Relief,
15 and Economic Security Act.

16 (c) SPECIAL RULES.—

17 (1) EMPLOYEE NOT TAKEN INTO ACCOUNT
18 MORE THAN ONCE.—An employee shall not be treat-
19 ed as an eligible employee for purposes of this sub-
20 section for any period with respect to any employer
21 if such employer is allowed a credit under section 51
22 of the Internal Revenue Code of 1986 with respect
23 to such employee for such period.

24 (2) DENIAL OF DOUBLE BENEFIT.—Any wages
25 taken into account in determining the credit allowed

1 under this section shall not be taken into account as
2 wages for purposes of sections 41, 45A, 45P, 45S,
3 51, and 1396 of the Internal Revenue Code of 1986.

4 (3) CERTAIN OTHER RULES TO APPLY.—For
5 purposes of this subsection, rules similar to the rules
6 of sections 51(i)(1), 52, and 280C(a), of the Internal
7 Revenue Code of 1986, shall apply.

8 (d) ELECTION TO NOT TAKE CERTAIN WAGES INTO
9 ACCOUNT.—

10 (1) IN GENERAL.—This section shall not apply
11 to qualified wages paid by an eligible employer with
12 respect to which such employer makes an election
13 (at such time and in such manner as the Secretary
14 may prescribe) to have this section not apply to such
15 wages.

16 (2) COORDINATION WITH PAYCHECK PROTEC-
17 TION PROGRAM.—The Secretary, in consultation
18 with the Administrator of the Small Business Ad-
19 ministration, shall issue guidance providing that
20 payroll costs paid or incurred during the covered pe-
21 riod shall not fail to be treated as qualified wages
22 under this section by reason of an election under
23 paragraph (1) to the extent that a covered loan of
24 the eligible employer is not forgiven by reason of a
25 decision under section 1106(g) of the CARES Act.

1 Terms used in the preceding sentence which are also
2 used in section 1106 of such Act shall have the same
3 meaning as when used in such section.

4 (e) AMENDMENT TO PAYCHECK PROTECTION PRO-
5 GRAM.—Section 1106(a)(8) of the CARES Act is amended
6 by inserting “, except that such costs shall not include
7 qualified wages taken into account in determining the
8 credit allowed under section 4 of the Disaster Tax Relief
9 Act of 2021” before the period at the end.

10 **SEC. 5. OTHER DISASTER-RELATED TAX RELIEF PROVI-**
11 **SIONS.**

12 (a) SPECIAL RULES FOR QUALIFIED DISASTER RE-
13 LIEF CONTRIBUTIONS.—

14 (1) IN GENERAL.—In the case of a qualified
15 disaster relief contribution made by a corporation—
16 (A) section 2205(a)(2)(B) of the CARES
17 Act shall be applied first to qualified contribu-
18 tions without regard to any qualified disaster
19 relief contributions and then separately to such
20 qualified disaster relief contribution, and

21 (B) in applying such section to such qual-
22 ified disaster relief contributions, clause (i)
23 thereof shall be applied—

24 (i) by substituting “100 percent” for
25 “25 percent”, and

11 (A) such contribution—

(ii) is made for relief efforts in one or more qualified disaster areas,

4 (b) SPECIAL RULES FOR QUALIFIED DISASTER-RE-
5 LATED PERSONAL CASUALTY LOSSES.—

(1) IN GENERAL.—If an individual has a net disaster loss for any taxable year—

(A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be equal to the sum of—

(C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and

20 SEC. 6. TREATMENT OF CERTAIN POSSESSIONS.

21 (a) PAYMENTS TO POSSESSIONS WITH MIRROR
22 CODE TAX SYSTEMS.—The Secretary of the Treasury
23 shall pay to each possession of the United States which
24 has a mirror code tax system amounts equal to the loss
25 (if any) to that possession by reason of the application

1 of the provisions of this Act. Such amounts shall be deter-
2 mined by the Secretary of the Treasury based on informa-
3 tion provided by the government of the respective posses-
4 sion.

5 (b) PAYMENTS TO OTHER POSSESSIONS.—The Sec-
6 retary of the Treasury shall pay to each possession of the
7 United States which does not have a mirror code tax sys-
8 tem amounts estimated by the Secretary of the Treasury
9 as being equal to the aggregate benefits (if any) that
10 would have been provided to residents of such possession
11 by reason of the provisions of this Act if a mirror code
12 tax system had been in effect in such possession. The pre-
13 ceding sentence shall not apply unless the respective pos-
14 session has a plan, which has been approved by the Sec-
15 retary of the Treasury, under which such possession will
16 promptly distribute such payments to its residents.

17 (c) MIRROR CODE TAX SYSTEM.—For purposes of
18 this section, the term “mirror code tax system” means,
19 with respect to any possession of the United States, the
20 income tax system of such possession if the income tax
21 liability of the residents of such possession under such sys-
22 tem is determined by reference to the income tax laws of
23 the United States as if such possession were the United
24 States.

1 (d) TREATMENT OF PAYMENTS.—For purposes of
2 section 1324 of title 31, United States Code, the payments
3 under this section shall be treated in the same manner
4 as a refund due from a credit provision referred to in sub-
5 section (b)(2) of such section.

6 **SEC. 7. EXCLUSION OF AMOUNTS RECEIVED FROM STATE-**

7 **BASED CATASTROPHE LOSS MITIGATION**
8 **PROGRAMS.**

9 (a) IN GENERAL.—Section 139 of the Internal Rev-
10 enue Code of 1986 is amended by redesignating subsection
11 (h) as subsection (i) and by inserting after subsection (g)
12 the following new subsection:

13 “(h) STATE-BASED CATASTROPHE LOSS MITIGATION
14 PROGRAMS.—

15 “(1) IN GENERAL.—Gross income shall not in-
16 clude any amount received by an individual as a
17 qualified catastrophe mitigation payment under a
18 program established by a State, or a political sub-
19 division or instrumentality thereof, for the purpose
20 of making such payments.

21 “(2) QUALIFIED CATASTROPHE MITIGATION
22 PAYMENT.—For purposes of this section, the term
23 ‘qualified catastrophe mitigation payment’ means
24 any amount which is received by an individual to
25 make improvements to such individual’s residence

1 for the sole purpose of reducing the damage that
2 would be done to such residence by a windstorm,
3 earthquake, or wildfire.

4 “(3) NO INCREASE IN BASIS.—Rules similar to
5 the rules of subsection (g)(3) shall apply in the case
6 of this subsection.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 139(d) is amended by striking “and
9 qualified” and inserting “, qualified catastrophe
10 mitigation payments, and qualified”.

11 (2) Section 139(i) (as redesignated by sub-
12 section (a)) is amended by striking “or qualified”
13 and inserting “, qualified catastrophe mitigation
14 payment, or qualified”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2020.

18 **SEC. 8. EXCLUSION FROM GROSS INCOME OF CERTAIN**
19 **EMERGENCY AGRICULTURAL ASSISTANCE.**

20 (a) IN GENERAL.—Section 139 of the Internal Rev-
21 enue Code of 1986, as amended by the preceding provi-
22 sions of this Act, is amended by redesignating subsection
23 (i) as subsection (j) and by inserting after subsection (h)
24 the following new subsection:

1 “(i) CERTAIN AGRICULTURAL ASSISTANCE.—For
2 purposes of this section, the term ‘qualified disaster relief
3 payment’ shall include any assistance received under any
4 of the following:

5 “(1) Assistance received under the Wildfires
6 and Hurricanes Indemnity Program Plus under sub-
7 part O of part 760 of title 7, Code of Federal Regu-
8 lations.

9 “(2) Assistance received under section 1501 of
10 the Agricultural Act of 2014 (7 U.S.C. 9081).

11 “(3) Noninsured crop assistance under section
12 196 of the Federal Agriculture Improvement and
13 Reform Act of 1996 (7 U.S.C. 7333).

14 “(4) Assistance under a food assistance pro-
15 gram under part 9 of title 7, Code of Federal Regu-
16 lations.

17 “(5) Assistance under title IV of the Agricul-
18 tural Credit Act of 1978 (16 U.S.C. 2201 et seq.).

19 “(6) Assistance under the Quality Loss Assist-
20 ance Program.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2020.

1 **SEC. 9. SENSE OF CONGRESS REGARDING DISASTER LOAN**2 **PROCESSING.**

3 It is the sense of Congress that the Administrator
4 of the Small Business Administration should use district
5 offices of the Administration whenever possible to expedite
6 the processing of disaster loans under section 7(b) of the
7 Small Business Act (15 U.S.C. 636(b)).

8 **SEC. 10. SMALL BUSINESS DEVELOPMENT CENTER PORT-**9 **ABILITY GRANTS.**

10 Section 21(a)(4)(C)(viii) of the Small Business Act
11 (15 U.S.C. 648(a)(4)(C)(viii)) is amended—

12 (1) in the first sentence, by striking “as a re-
13 sult of a business or government facility down sizing
14 or closing, which has resulted in the loss of jobs or
15 small business instability” and inserting “due to
16 events that have resulted or will result in a business
17 or government facility downsizing or closing”; and

18 (2) by adding at the end the following: “At the
19 discretion of the Administrator, the Administrator
20 may make an award greater than \$100,000 to a re-
21 cipient to accommodate extraordinary occurrences
22 having a catastrophic impact on the small business
23 concerns in a community.”.

1 SEC. 11. DISASTER ASSISTANCE TO CRITICAL ENTER-

2 PRISES.

3 Section 237 of the Disaster Relief Act of 1970 (15

4 U.S.C. 636d) is amended—

5 (1) by redesignating subsection (b) as sub-
6 section (c); and

7 (2) in subsection (a)—

8 (A) by striking “Farmers Home Adminis-
9 tration” and inserting “Farm Service Agency”;10 (B) by striking “major disaster” and in-
11 serting “major disaster or is vital to recovery
12 efforts in the disaster area (including providing
13 debris removal services, manufactured housing,
14 gasoline, telecommunications, or building mate-
15 rials);” and16 (C) by striking “Loans authorized” and all
17 that follows through “pursuant thereto.” and
18 inserting the following:19 “(b) TERMS AND CONDITIONS.—Notwithstanding
20 any other provision of law, loans authorized by this sec-
21 tion—22 “(1) shall be made without regard to limitations
23 on the size of loans which may otherwise be imposed
24 by any other provision of law or regulations promul-
25 gated pursuant thereto; and

1 “(2) may waive any required evaluation of cred-
2 itworthiness in exchange for a fee, as set by the
3 Small Business Administration or the Farm Service
4 Agency, as applicable.”.

5 **SEC. 12. CREDIT FOR QUALIFIED WILDFIRE MITIGATION**
6 **EXPENDITURES.**

7 (a) IN GENERAL.—Subpart B of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 is amended by inserting after section 27 the fol-
10 lowing new section:

11 **“SEC. 28. QUALIFIED WILDFIRE MITIGATION EXPENDI-**
12 **TURES.**

13 “(a) IN GENERAL.—There shall be allowed as a cred-
14 it against the tax imposed by this chapter for the taxable
15 year an amount equal to 30 percent of the qualified wild-
16 fire mitigation expenditures paid or incurred by the tax-
17 payer during such taxable year with respect to real prop-
18 erty owned or leased by the taxpayer.

19 “(b) QUALIFIED WILDFIRE MITIGATION EXPENDI-
20 TURES.—For purposes of this section—

21 “(1) IN GENERAL.—The term ‘qualified wildfire
22 mitigation expenditures’ means any specified wildfire
23 mitigation expenditure made pursuant to a qualified
24 State wildfire mitigation program of a State which
25 requires expenditures for wildfire mitigation to be

1 paid both by the taxpayer and such State. Such
2 term shall not include any item of expenditure un-
3 less the ratio of the State's expenditure for such
4 item to the sum of the State's and taxpayer's ex-
5 penditures for such item is not less than 25 percent.

6 “(2) SPECIFIED WILDFIRE MITIGATION EX-
7 PENDITURE.—The term ‘specified wildfire mitigation
8 expenditure’ means, with respect to any real prop-
9 erty owned or leased by the taxpayer, any amount
10 paid or incurred to reduce the risk of wildfire by re-
11 moving accumulations of vegetation (including estab-
12 lishing, expanding, or maintaining fuel breaks to
13 serve as fire breaks) on such real property.

14 “(3) QUALIFIED STATE WILDFIRE MITIGATION
15 PROGRAM.—The term ‘qualified State wildfire miti-
16 gation program’ means any program of a State the
17 primary purpose of which is to mitigate the risk of
18 wildfires in such State.

19 “(4) TREATMENT OF REIMBURSEMENTS.—Any
20 amount originally paid or incurred by the taxpayer
21 which is reimbursed by a State under a qualified
22 wildfire mitigation program of such State shall be
23 treated as paid by such State (and not by such tax-
24 payer).

25 “(c) APPLICATION WITH OTHER CREDITS.—

1 “(1) BUSINESS CREDIT TREATED AS PART OF
2 GENERAL BUSINESS CREDIT.—So much of the credit
3 which would be allowed under subsection (a) for any
4 taxable year (determined without regard to this sub-
5 section) that is attributable to expenditures made in
6 the ordinary course of the taxpayer’s trade or busi-
7 ness (or, in the case of expenditures made by a
8 State, would have been expenditures made in the or-
9 ordinary course of the taxpayer’s trade or business if
10 made by the taxpayer) shall be treated as a credit
11 listed in section 38(b) for taxable year (and not al-
12 lowed under subsection (a)).

13 “(2) PERSONAL CREDIT.—For purposes of this
14 title, the credit allowed under subsection (a) for any
15 taxable year (determined after application of para-
16 graph (1)) shall be treated as a credit allowable
17 under subpart A for such taxable year.

18 “(d) REDUCTION OF CREDIT PERCENTAGE WHERE
19 TAXPAYER EXPENDITURES LESS THAN 30 PERCENT.—

20 “(1) IN GENERAL.—If the expenditure percent-
21 age with respect to any item of qualified wildfire
22 mitigation expenditure is less than 30 percent, sub-
23 section (a) shall be applied by substituting ‘the ex-
24 penditure percentage’ for ‘30 percent’ with respect
25 to such item of expenditure.

1 “(2) EXPENDITURE PERCENTAGE.—For pur-
2 poses of this section, the term ‘expenditure percent-
3 age’ means, with respect to any item of qualified
4 wildfire mitigation expenditure any portion of which
5 is paid or incurred by a State, the ratio (expressed
6 as a percentage) of—

7 “(A) the taxpayer’s expenditure for such
8 item, divided by

9 “(B) the sum of the taxpayer’s and such
10 State’s expenditures for such item.

11 “(e) SPECIAL RULES.—

12 “(1) TREATMENT OF EXPENDITURES RELATED
13 TO MARKETABLE TIMBER.—An expenditure shall not
14 be taken into account for purposes of this section
15 (whether made by the taxpayer or a State pursuant
16 to a qualified State wildfire mitigation program of
17 such State) if such expenditure is properly allocable
18 to timber which is sold or exchanged by the tax-
19 payer. The preceding sentence shall not apply to the
20 extent that such amount exceeds the gain on such
21 sale or exchange.

22 “(2) BASIS REDUCTION.—For purposes of this
23 subtitle, if the basis of any property would (but for
24 this paragraph) be determined by taking into ac-
25 count any qualified wildfire mitigation expenditure,

1 the basis of such property shall be reduced by the
2 amount of the credit allowed under subsection (a)
3 with respect to such expenditure (determined with-
4 out regard to subsection (c)).

5 “(3) DENIAL OF DOUBLE BENEFIT.—The
6 amount of any deduction or other credit allowable
7 under this chapter for any expenditure for which a
8 credit is allowable under subsection (a) shall be re-
9 duced by the amount of credit allowed under such
10 subsection for such expenditure (determined without
11 regard to subsection (c)).”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Section 38(b) of such Code is amended by
14 striking “plus” at the end of paragraph (32), by
15 striking the period at the end of paragraph (33) and
16 inserting “, plus”, and by adding at the end the fol-
17 lowing new paragraph:

18 “(34) the portion of the qualified wildfire miti-
19 gation expenditures credit to which section 28(c)(1)
20 applies.”.

21 (2) Section 1016(a) of such Code is amended
22 by redesignating paragraphs (35) through (38) as
23 paragraphs (36) through (39), respectively, and by
24 inserting after paragraph (34) the following new
25 paragraph:

1 “(35) to the extent provided in section
2 28(e)(2),”.

3 (3) The table of sections for subpart B of part
4 IV of subchapter A of chapter 1 of such Code is
5 amended by inserting after the item relating to sec-
6 tion 27 the following new item:

“Sec. 28. Qualified wildfire mitigation expenditures.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to expenditures paid or incurred
9 after the date of the enactment of this Act, in taxable
10 years ending after such date.

